

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Village of Milford</u>	County Oakland
Audit Date June 30, 2005	Opinion Date August 18, 2005	Date Accountant Report Submitted To State: November 21, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

Village of Milford, Michigan

**Financial Report
with Supplemental Information
June 30, 2005**

Village of Milford

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Independent Auditor's Report

To the Village Council
Village of Milford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Milford, Michigan (the "Village") as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village of Milford, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Milford, Michigan as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Village Council
Village of Milford, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Milford, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

August 18, 2005

Village of Milford

Management's Discussion and Analysis

Our discussion and analysis of the Village of Milford, Michigan's (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Village's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The full accrual statements include the statement of net assets and the statement of activities, which provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets	\$ 4,366	\$ 4,693	\$ 1,740	\$ 1,528	\$ 6,106	\$ 6,221
Noncurrent assets	11,126	10,828	12,526	13,121	23,652	23,949
Total assets	15,492	15,521	14,266	14,649	29,758	30,170
Liabilities						
Current liabilities	445	297	125	156	570	453
Long-term liabilities	2,349	2,281	4,860	5,304	7,209	7,585
Total liabilities	2,794	2,578	4,985	5,460	7,779	8,038
Net Assets						
Invested in capital assets -						
Net of related debt	9,295	8,411	7,563	7,567	16,858	15,978
Restricted	2,995	3,501	-	-	2,995	3,501
Unrestricted	408	1,031	1,718	1,622	2,126	2,653
Total net assets	<u>\$ 12,698</u>	<u>\$ 12,943</u>	<u>\$ 9,281</u>	<u>\$ 9,189</u>	<u>\$ 21,979</u>	<u>\$ 22,132</u>

Village of Milford

Management's Discussion and Analysis (Continued)

As of June 30, 2005, the Village's combined net assets decreased .7 percent from a year ago, from \$22,132,000 to \$21,979,000. As we look at the governmental-type activities separately from the business-type activities, we can see that governmental-type activities decreased by 1.9 percent. The decrease from the prior year is due primarily to the expenditure of property taxes collected in prior years for major street construction, but not expended until the 2004-2005 fiscal year end. Business-type activities increased 1.0 percent from the prior year.

Unrestricted net assets of the governmental-type activities, the part of net assets that can be used to finance day-to-day operations, is \$408,000 or 6.4 percent of expenditures.

The following table shows the changes of the net assets during the current year (in thousands):

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 2,980	\$ 2,845	\$ 1,167	\$ 2,152	\$ 4,147	\$ 4,997
Operating grants and contributions	464	489	9	5	473	494
Capital grants and contributions	116	2	913	181	1,029	183
General revenue:						
Property taxes	1,532	2,052	-	-	1,532	2,052
State-shared revenue	573	574	-	-	573	574
Unrestricted investment earnings	106	63	38	25	144	88
Franchise fees	58	38	-	-	58	38
Miscellaneous	29	72	1	4	102	76
Gain on sale of fixed assets	13	14	-	-	13	14
Total revenue	5,871	6,149	2,128	2,367	8,071	8,516
Program Expenses						
General government	750	937	-	-	750	937
Public safety	2,794	2,252	-	-	2,794	2,252
Public works	1,236	1,262	-	-	1,236	1,262
Highways, streets, and bridges	1,158	1,013	-	-	1,158	1,013
Parking improvements	47	36	-	-	47	36
Downtown Development Authority	196	227	-	-	196	227
Transportation	108	103	-	-	108	103
Interest on long-term debt	88	85	-	-	88	85
Water and sewer	-	-	2,037	2,083	2,037	2,083
Total program expenses	6,377	5,915	2,037	2,083	8,414	7,998
Change in Net Assets	\$ (506)	\$ 234	\$ 91	\$ 284	\$ (343)	\$ 518

Village of Milford

Management's Discussion and Analysis (Continued)

Governmental Activities

The Village's total governmental revenues decreased, primarily because the final year of the Major Street Fund millage was levied in the prior fiscal year. General Fund expenditures for general government decreased due to the elimination of one staff position and because the Village spent less on capital items during the year.

Business-type Activities

The Village's business-type activities consist of the Water and Sewer Fund. We provide water to residents and provide sewage treatment through a Village-owned and -operated sewage treatment plant. Water usage fluctuates from year to year, largely based on how hot and dry the summer months are. In 2004-2005, the Village billed residents approximately 3,000,000 gallons (1.1 percent) less water than in the prior year. The Water and Sewer Fund experienced an operating loss of \$678,699 in 2004-2005; of this amount, \$639,148 was due to depreciation expense, which is a noncash item. In addition, the Village has chosen to use 20 percent of sewer connection fees to pay a portion of operating expenses. This amounted to approximately \$46,000. The Village also earned approximately \$38,000 in interest income which can be used for operating expenses. After adjusting for these items, there was no loss for the year.

The Village's Funds

Our analysis of the Village's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2005 include the General Fund, the Major Street Fund, and the Police Fund.

The General Fund pays for most of the Village's governmental services, the most significant of which is public works, with expenses of \$1,289,359 in 2004-2005. The Police Fund pays the majority of public safety costs for both the Village and the Township, utilizing the receipts from a Township-wide millage to fund services. The Major Street Fund millage expired in 2003, and approximately \$205,000 generated by this millage is reserved for future road improvements.

Village of Milford

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account events during the year. One significant amendment was for costs relating to the landfill; the Village originally budgeted \$60,000 for attorney fees and remediation and investigation activities; the budget was subsequently amended to \$115,000, and actual costs for the fiscal year were \$107,360. While this is a significant cost to the Village, the total spent in fiscal year 2004-05 was about half the amount spent the prior fiscal year for this activity. The budget was also amended to reflect the timing of the Civic Center remodeling project. The remodeling expense was originally budgeted in 2003-04 but was not completed until 2004-05. The Parks and Recreation budget reflected a decrease from the original budget of \$47,500; this was budgeted as matching funds for a grant to make improvements to Hubbell Pond Park; however, the grant was not approved. Interest income for the General Fund and Police Fund was originally budgeted at \$40,000. Due to rising interest rates during the year, the budgeted interest for these two funds was amended to \$70,000 and the total received was approximately \$87,000.

Capital Asset and Debt Administration

At the end of 2005, the Village had approximately \$23,400,000 invested in capital assets that include buildings, public works and police equipment, streets, sidewalks, parking lots, and bridges, water and sewer lines, water towers, and water and sewer treatment plants. The Village completed \$467,000 of improvements to major roads during the year and completed renovations on the Civic Center.

The Downtown Development Authority issued \$85,887 of debt in fiscal year 2004-2005 for the purchase of property at 505 N. Main Street.

Economic Factors and Next Year's Budgets and Rates

The Village's budget for next year is based on 5.6129 mills in property tax rates. In addition, the Downtown Development Authority levied 1.7714 mills in their district. No rollbacks of the millage rates were required under the State of Michigan Headlee amendment in 2005.

Wastewater rates were scheduled to increase as of July 1, 2005 in the amount of 9 cents per thousand gallons of water usage. This is an overall increase in combined water/wastewater rates of 1.2 percent.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the treasurer's office.

Village of Milford

Statement of Net Assets June 30, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 2,739,103	\$ 900,289	\$ 3,639,392
Investments (Note 3)	1,104,064	254,834	1,358,898
Receivables:			
Customers	39,204	574,692	613,896
Interest	42,466	9,945	52,411
Other	97,032	-	97,032
Due from other governmental units	292,789	-	292,789
Prepaid costs and other assets	51,912	-	51,912
Long-term receivable	85,869	-	85,869
Restricted assets (Note 7)	-	102,961	102,961
Investment in joint venture (Note 12)	48,334	-	48,334
Capital assets - Net (Note 4):			
Depreciated	10,518,826	12,423,070	22,941,896
Nondepreciated	472,620	-	472,620
Total assets	15,492,219	14,265,791	29,758,010
Liabilities			
Accounts payable	385,323	20,309	405,632
Accrued and other liabilities	59,872	104,616	164,488
Noncurrent liabilities (Note 6):			
Due within one year	430,010	525,000	955,010
Due in more than one year	1,918,832	4,335,000	6,253,832
Total liabilities	2,794,037	4,984,925	7,778,962
Net Assets			
Invested in capital assets - Net of related debt	9,295,217	7,563,070	16,858,287
Restricted:			
Refuse collection	19,214	-	19,214
Construction code activity	35,386	-	35,386
Streets and highways:			
Major streets	566,412	-	566,412
Local streets	2,983	-	2,983
Police	2,129,342	-	2,129,342
Drug law enforcement	3,930	-	3,930
Downtown development	122,082	-	122,082
Parking improvement and maintenance	63,073	-	63,073
Transportation	52,309	-	52,309
Unrestricted	408,234	1,717,796	2,126,030
Total net assets	<u>\$ 12,698,182</u>	<u>\$ 9,280,866</u>	<u>\$ 21,979,048</u>

Village of Milford

	Program Revenues		
	Charges for	Operating	Capital Grants
Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 750,513	\$ 132,473	\$ 11,596
Public safety	2,794,646	2,760,904	6,087
Public works	1,235,970	-	-
Highway, streets, and bridges	1,158,248	369,256	-
Parking improvements	46,569	36,027	22,355
Downtown Development Authority	195,509	-	116,500
Transportation	107,994	49,859	55,037
Other	-	-	-
Interest on long-term debt	87,631	-	-
Total governmental activities	6,377,080	2,979,263	464,331
Business-type activities - Water and sewer	2,036,472	1,167,437	8,585
Total primary government	<u>\$ 8,413,552</u>	<u>\$ 4,146,700</u>	<u>\$ 472,916</u>
General revenues:			
Property taxes			
State-shared revenues			
Unrestricted investment earnings			
Franchise fees			
Miscellaneous			
Gain on sale of fixed assets			
Total general revenues and gain on sale of fixed assets			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended June 30, 2005

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (606,444)	\$ -	\$ (606,444)
(27,655)	-	(27,655)
(1,235,970)	-	(1,235,970)
(788,992)	-	(788,992)
11,813	-	11,813
(79,009)	-	(79,009)
(3,098)	-	(3,098)
-	-	-
<u>(87,631)</u>	<u>-</u>	<u>(87,631)</u>
(2,816,986)	-	(2,816,986)
<u>-</u>	<u>52,750</u>	<u>52,750</u>
(2,816,986)	52,750	(2,764,236)
1,531,708	-	1,531,708
573,056	-	573,056
105,896	38,035	143,931
57,954	-	57,954
29,071	1,168	30,239
<u>13,000</u>	<u>-</u>	<u>13,000</u>
<u>2,310,685</u>	<u>39,203</u>	<u>2,349,888</u>
(506,301)	91,953	(414,348)
<u>13,204,483</u>	<u>9,188,913</u>	<u>22,393,396</u>
<u>\$ 12,698,182</u>	<u>\$ 9,280,866</u>	<u>\$ 21,979,048</u>

Village of Milford

Governmental Funds Balance Sheet June 30, 2005

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Police Fund		
Assets					
Cash and cash equivalents (Note 3)	\$ 470,970	\$ 419,719	\$ 1,611,593	\$ 236,821	\$ 2,739,103
Investments (Note 3)	375,807	122,929	532,006	73,322	1,104,064
Receivables:					
Customers	36,531	2,673	-	-	39,204
Accrued interest	14,666	4,797	20,761	2,242	42,466
Other	8,247	-	8,643	80,142	97,032
Due from other funds	31,000	-	-	-	31,000
Due from other governmental units	101,879	40,000	-	150,910	292,789
Prepaid costs and other assets	43,022	4,445	-	4,445	51,912
Total assets	<u>\$ 1,082,122</u>	<u>\$ 594,563</u>	<u>\$ 2,173,003</u>	<u>\$ 547,882</u>	<u>\$ 4,397,570</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 146,879	\$ 27,023	\$ 22,022	\$ 189,399	\$ 385,323
Due to other funds	-	-	-	31,000	31,000
Accrued and other liabilities	12,749	1,128	21,639	6,041	41,557
Total liabilities	159,628	28,151	43,661	226,440	457,880
Fund Balances					
Reserved for:					
Refuse collection	19,214	-	-	-	19,214
Construction code activity	35,386	-	-	-	35,386
Major street improvements	-	205,007	-	-	205,007
Unreserved, reported in:					
General Fund:					
Designated	155,050	-	-	-	155,050
Undesignated	712,844	-	-	-	712,844
Special Revenue Funds:					
Designated	-	125,000	1,399,900	2,983	1,527,883
Undesignated	-	236,405	729,442	318,459	1,284,306
Total fund balances	922,494	566,412	2,129,342	321,442	3,939,690
Total liabilities and fund balances	<u>\$ 1,082,122</u>	<u>\$ 594,563</u>	<u>\$ 2,173,003</u>	<u>\$ 547,882</u>	<u>\$ 4,397,570</u>

Village of Milford

Governmental Funds Reconciliation of Fund Balance to the Statement of Net Assets Year Ended June 30, 2005

Total Fund Balances for Governmental Funds	\$ 3,939,690
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	10,991,446
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Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,348,842)
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Interest amounts on long-term liabilities are not payable until due in the funds	(18,315)
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Investment in a joint venture is not a financial resource and is not reported in the funds	48,334
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Long-term receivables are not available in the current period and are not reported in the funds	85,869
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Net Assets of Governmental Activities	<u>\$ 12,698,182</u>
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Village of Milford

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	Major Funds			Other	Total
	General	Major Street	Police	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenue					
Property taxes	\$ 1,168,860	\$ 581	\$ -	\$ 362,267	\$ 1,531,708
State-shared revenues	560,785	263,507	-	178,696	1,002,988
Federal sources	11,596	-	-	116,500	128,096
Licenses and permits	196,492	-	-	-	196,492
Interest	46,522	8,806	43,536	7,037	105,901
Charges for services	199,459	-	2,593,469	-	2,792,928
Other	108,686	-	-	49,859	158,545
Fines and forfeitures	7,741	-	-	38,427	46,168
Special assessments	-	-	-	22,355	22,355
Total revenue	2,300,141	272,894	2,637,005	775,141	5,985,181
Expenditures					
Current:					
General government	746,176	-	-	-	746,176
Public safety	157,979	-	2,594,905	-	2,752,884
Public works	1,289,359	-	-	-	1,289,359
Highways, streets, and bridges	-	711,318	-	253,360	964,678
Parking improvements	-	-	-	56,267	56,267
Building improvements	-	-	-	318,925	318,925
Other	-	-	-	235,464	235,464
Retiree health care benefits	-	-	-	25,124	25,124
Debt service:					
Principal retirement	19,747	-	-	50,000	69,747
Interest and fiscal charges	8,496	-	-	76,160	84,656
Total expenditures	2,221,757	711,318	2,594,905	1,015,300	6,543,280
Excess of Revenue Over (Under) Expenditures	78,384	(438,424)	42,100	(240,159)	(558,099)
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	-	-	85,887	85,887
Operating transfers in	-	-	-	139,150	139,150
Operating transfers out	(87,925)	(27,725)	(23,500)	-	(139,150)
Total other financing sources (uses)	(87,925)	(27,725)	(23,500)	225,037	85,887
Net Change in Fund Balances	(9,541)	(466,149)	18,600	(15,122)	(472,212)
Fund Balances - Beginning of year	932,035	1,032,561	2,110,742	336,564	4,411,902
Fund Balances - End of year	<u>\$ 922,494</u>	<u>\$ 566,412</u>	<u>\$ 2,129,342</u>	<u>\$ 321,442</u>	<u>\$ 3,939,690</u>

Village of Milford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ (472,212)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay expenditures	1,115,655
Depreciation	(1,077,266)

Change in equity interest in a joint venture is not recorded in the funds	(46)
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Principal payment on long-term receivable is revenue in the governmental funds, but not in the statement of activities (where it reduces long-term receivable)	(1,422)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	69,747
---	--------

Long-term debt proceeds are not reported as financing sources on the statement of activities	(85,887)
--	----------

Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(51,896)
---	----------

Increase in accrued interest is recorded when incurred in the statement of activities	<u>(2,974)</u>
---	----------------

Change in Net Assets of Governmental Activities **\$ (506,301)**

Village of Milford

Proprietary Fund Statement of Net Assets June 30, 2005

	Enterprise - Water and Sewer
Assets	
Cash and cash equivalents	\$ 900,289
Investments	254,834
Receivables:	
Customer	574,692
Accrued interest	9,945
	<hr/>
Total current assets	1,739,760
Noncurrent assets:	
Restricted assets (Note 7)	102,961
Capital assets (Note 4)	12,423,070
	<hr/>
Total noncurrent assets	12,526,031
	<hr/>
Total assets	14,265,791
Liabilities	
Current liabilities:	
Accounts payable	20,309
Accrued and other liabilities	104,616
Current portion of long-term debt	525,000
	<hr/>
Total current liabilities	649,925
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	4,335,000
	<hr/>
Total liabilities	4,984,925
Net Assets	
Invested in capital assets - Net of related debt	7,563,070
Unrestricted	1,717,796
	<hr/>
Total net assets	<u><u>\$ 9,280,866</u></u>

Village of Milford

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2005

	Enterprise - Water and Sewer
Operating Revenue	
Water and sewer billings	\$ 1,167,437
Miscellaneous	9,753
Total operating revenue	1,177,190
Operating Expenses	
Salaries and wages	486,409
Benefits	248,516
Operating supplies	61,317
Utilities	149,751
Equipment rental	24,478
Consulting	11,224
Contracted services	103,540
Maintenance	39,348
Insurance	45,526
Depreciation	639,148
Miscellaneous	13,547
Data processing	33,085
Total operating expenses	1,855,889
Operating Loss	(678,699)
Nonoperating Revenue (Expense)	
Investment income	38,035
Interest expense	(180,583)
Connection fees	458,962
Total nonoperating revenue	316,414
Capital Contributions	454,238
Change in Net Assets	91,953
Net Assets - Beginning of year	9,188,913
Net Assets - End of year	<u><u>\$ 9,280,866</u></u>

Village of Milford

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2005

	Enterprise - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,162,864
Payments to suppliers	(517,451)
Payments to employees	(724,809)
Other operating revenues	<u>9,753</u>
Net cash used in operating activities	(69,643)
Cash Flows from Capital and Related Financing Activities	
Connection fees	458,962
Proceeds from capital contributions	454,238
Interest paid on long-term debt	(185,841)
Decrease in restricted assets	63,211
Proceeds from the issuance of long-term debt	51,115
Purchase of capital assets	(191,661)
Principal paid on capital debt	<u>(495,000)</u>
Net cash provided by capital and related financing activities	155,024
Cash Flows from Investing Activities	
Interest received on cash and investments	32,629
Purchase of investment	<u>(86,946)</u>
Net cash used in investing activities	<u>(54,317)</u>
Net Increase in Cash and Cash Equivalents	31,064
Cash and Cash Equivalents - Beginning of year	<u>869,225</u>
Cash and Cash Equivalents - End of year	<u>\$ 900,289</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (678,699)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	639,148
Changes in assets and liabilities:	
Receivables	(4,573)
Accounts payable	(35,635)
Accrued and other liabilities	<u>10,116</u>
Net cash used in operating activities	<u>\$ (69,643)</u>

There were no significant noncash investing, capital, or financing activities during the year ended June 30, 2005.

Village of Milford

Fiduciary Funds Statement of Assets and Liabilities June 30, 2005

	<u>Agency Funds</u>
Assets - Cash and cash equivalents	\$ <u>879,647</u>
Liabilities - Deposits	\$ <u>879,647</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Village of Milford, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Milford, Michigan:

Reporting Entity

The Village of Milford, Michigan is governed by an elected seven-member council. The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Village's operations.

Blended Component Units

The Downtown Development Authority (the "Authority" or the "DDA") is governed by a 13-member board that is appointed by the Village Council. The Authority is reported as if it were part of the primary government because the Village Council retains responsibility for the activities, finances, and commitments of the Authority.

The Parking Authority is incorporated into the Village's financial statements. It is governed by a seven-member board that is appointed by the Village Council. The Village has retained responsibility for funding the Parking Authority and exercises ultimate control over it.

The Brownfield Redevelopment Financing Authority (the "Brownfield Authority") was established pursuant to Public Act 381 of 1996. The Brownfield Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Village. The Brownfield Authority had no financial activity during the year ended June 30, 2005.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Street Fund is used to account for the state gas and weight tax revenues that are restricted for use on major roads. In prior years, there was a voted tax millage for road improvements; however, that millage expired with the July 1, 2003 millage recorded as revenue in the fiscal year ended June 30, 2004.

Police Fund - The Police Fund accounts for the activities of the Village's police department.

The Village reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the Village reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Agency Fund - The Agency Fund is used to account for assets held by the Village in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1 of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the Village, assessed as of December 31, 2003, totaled approximately \$233,300,000 (a portion of which is captured by the DDA), on which ad valorem taxes levied consisted of 3.5674 mills for operating purposes and 2.0455 mills for refuse collection. The ad valorem taxes levied raised approximately \$742,000 for operating and \$425,000 for refuse collection, which is recorded in the General Fund as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The restricted assets in the Water and Sewer Fund consist of notes receivable, a portion of customer receivables, as well as amounts on deposit at the county being held for the construction or debt service of the Village of Milford, Michigan’s water and sewer lines.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	10 to 50 years
General government	3 to 30 years
Department of public works	3 to 25 years
Downtown development	3 to 50 years
Streets, sidewalks, and bridges	15 to 50 years
Parking	10 to 20 years
Police department	3 to 50 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets - Net governmental capital assets for the year ended June 30, 2004 were understated by \$261,780. As a result, net assets went from \$12,943,704 to \$13,204,484.

Comparative Data - Comparative data is not included in the Village's financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Village of Milford

Notes to Financial Statements June 30, 2005

Note 2 - Construction Code Fees

Construction Code Fees - The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building construction codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative excess generated since January 1, 2000 is as follows:

Building permit revenue	\$ 196,492
Construction code direct expenses	157,979
Construction code indirect expenses	<u>38,504</u>
Total expenses	<u>196,483</u>
Revenue in excess of expenses	9
Cumulative excess - July 1, 2004	<u>35,377</u>
Cumulative revenue in excess of expenses - June 30, 2005	<u><u>\$ 35,386</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Village is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund.

The Village's investment policy, adopted in accordance with State law, permits the Village to invest in investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940.

Note 3 - Deposits and Investments (Continued)

The Village of Milford's deposits and investment policies are in accordance with statutory authority.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$3,639,889 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village does not have a policy for custodial credit risk. At year end, the Village had no investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Village's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy restricts investment maturities to be no more than two years from the date of purchase, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Obligations:		
Federal Home Loan Bank	\$ 99,833	7.5 months
Federal National Mortgage Association	502,316	1.5 months
Commercial paper - DaimlerChrysler	511,577	3.5 months
Commercial paper - General Electric	252,236	3.5 months

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Federal Home Loan Bank	\$ 99,833	S&P	AAA
Federal National Mortgage Association	502,316	S&P	AAA
Commercial paper - DaimlerChrysler	511,577	S&P, Moody's	A2, P2
Commercial paper - General Electric	252,236	S&P, Moody's	A1, P1
Comerica J Fund	76,662	S&P, Moody's	A1, P1
MBIA Interlocal Agreement	75,114	N/A	N/A
Bank One Investment Pool Fund	126,399	Moody's	Aaa
Citigroup Investment Pool Fund	1,010	N/A	N/A

Concentration of Credit Risk - The Village places no limit on the amount they may invest in any one issuer. More than 5 percent of the Village's investments are in Daimler Chrysler - commercial paper. These investments are 9 percent of the Village's total investments.

Village of Milford

Notes to Financial Statements June 30, 2005

Note 4 - Capital Assets

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 341,660	\$ -	\$ -	\$ 341,660
Construction in progress - DDA	-	130,960	-	130,960
Subtotal	341,660	130,960	-	472,620
Capital assets being depreciated:				
Buildings	1,566,812	104,789	-	1,671,601
General government	759,054	12,140	-	771,194
Department of public works	935,254	132,136	109,760	957,630
Downtown development	1,187,420	175,241	-	1,362,661
Streets, sidewalks, and bridges	13,386,467	482,693	-	13,869,160
Parking improvements	54,270	-	-	54,270
Police department	563,882	77,696	-	641,578
Subtotal	18,453,159	984,695	109,760	19,328,094
Accumulated depreciation:				
Buildings	721,547	46,230	-	767,777
General government	367,257	46,199	-	413,456
Department of public works	493,090	76,267	109,760	459,597
Downtown development	293,851	56,131	-	349,982
Streets, sidewalks, and bridges	5,689,461	768,385	-	6,457,846
Parking improvements	34,649	3,859	-	38,508
Police department	241,907	80,195	-	322,102
Subtotal	7,841,762	1,077,266	109,760	8,809,268
Net capital assets being depreciated	10,611,397	(92,571)	-	10,518,826
Net capital assets	\$ 10,953,057	\$ 38,389	\$ -	\$ 10,991,446

Village of Milford

Notes to Financial Statements June 30, 2005

Note 4 - Capital Assets (Continued)

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Business-type Activities				
Capital assets being depreciated:				
Treatment plant	\$ 8,173,887	\$ 50,407	\$ -	\$ 8,224,294
Sewer equipment	614,113	46,735	-	660,848
Vehicles	126,197	-	-	126,197
Water lines	8,530,210	94,519	-	8,624,729
Sewer system	2,955,720	-	-	2,955,720
Iron removal plant	530,636	-	-	530,636
Subtotal	20,930,763	191,661	-	21,122,424
Accumulated depreciation:				
Treatment plant	4,586,005	266,304	-	4,852,309
Sewer equipment	314,306	54,081	-	368,387
Vehicles	97,515	11,941	-	109,456
Water lines	1,614,252	232,268	-	1,846,520
Sewer system	1,134,651	60,389	-	1,195,040
Iron removal plant	313,477	14,165	-	327,642
Subtotal	8,060,206	639,148	-	8,699,354
Net capital assets	<u>\$ 12,870,557</u>	<u>\$ (447,487)</u>	<u>\$ -</u>	<u>\$ 12,423,070</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 92,429
Public safety	80,195
Public works	76,267
Downtown development	56,131
Streets	768,385
Parking	3,859
Total governmental activities	<u>\$ 1,077,266</u>
Business-type activities - Water/Sewer	<u>\$ 639,148</u>

Village of Milford

Notes to Financial Statements June 30, 2005

Note 4 - Capital Assets (Continued)

Construction Commitments - The Village has an active construction project at year end for the Hydro Station Restoration Project. At year end, the Village's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Hydro Station Restoration Project	\$ 165,676	\$ 70,856

Note 5 - Interfund Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Other nonmajor governmental fund	<u>\$ 31,000</u>

The balance results from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The composition of interfund transfers is as follows:

Transfers out from the General Fund to the following funds:	
Local Street Fund for street construction	\$ 68,275
Senior Transportation Fund for operations	5,000
Retiree Health Care Fund for future retiree health care costs	<u>14,650</u>
Total General Fund transfers out	87,925
Transfers out from the Police Fund to the Retiree Health Care Fund for future health care costs	
	23,500
Transfers out from the Major Street Fund to the Local Street Fund for street construction	
	<u>27,725</u>
Total transfers out	<u>\$ 139,150</u>

Village of Milford

Notes to Financial Statements June 30, 2005

Note 6 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
1999 Downtown Development							
Authority Bonds:							
Amount of issue - \$700,000	5.00%-	\$30,000-					
Maturing through 2018	5.75%	\$55,000	\$ 645,000	\$ -	\$ (25,000)	\$ 620,000	\$ 30,000
2002 Downtown Development							
Authority Bonds:							
Amount of issue - \$900,000	3.85%-	\$25,000-					
Maturing through 2018	5.15%	\$100,000	850,000	-	(25,000)	825,000	25,000
HVAC installment purchase:							
Amount of issue - \$98,000	3.5%	\$18,915-					
Maturing through 2009		\$20,971	98,000	-	(18,275)	79,725	18,915
Land contract:							
Amount of issue - \$92,190	6.0%	\$1,561-					
Maturing through 2030		\$6,318	87,089	-	(1,472)	85,617	1,561
Land contract:							
Amount of issue - \$85,887	6.25%	\$85,887					
Maturing through 2005			-	85,887	-	85,887	85,887
Accumulated employee benefits			395,717	51,896	-	447,613	268,647
Provision for potential tax adjustments			205,000	-	-	205,000	-
Total governmental activities			<u>\$ 2,280,806</u>	<u>\$ 137,783</u>	<u>\$ (69,747)</u>	<u>\$ 2,348,842</u>	<u>\$ 430,010</u>

Village of Milford

Notes to Financial Statements June 30, 2005

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
County contractual obligations:							
Sewage Disposal System Extension No. 2:							
Amount of issue - \$3,550,000							
Maturing through 2006	6.25%	\$300,000	\$ 900,000	\$ -	\$ (300,000)	\$ 600,000	\$ 300,000
1997 Water Supply System:							
Amount of issue - \$900,000	4.80%-	\$50,000-					
Maturing through 2017	5.50%	\$75,000	725,000	-	(25,000)	700,000	50,000
1999 Water Supply System:							
Amount of issue - \$400,000	5.50%	\$20,000-					
Maturing through 2018		\$45,000	355,000	-	(20,000)	335,000	20,000
Revenue bonds:							
2001 Water Supply Revenue Bonds:							
Amount of issue - \$1,905,000	2.50%	\$80,000-					
Maturing through 2021		\$120,000	1,755,000	-	(80,000)	1,675,000	80,000
2002 Water Supply Revenue Bonds:							
Amount of issue - \$1,760,000	2.50%	\$75,000-					
Maturing through 2022		\$110,000	1,568,885	51,115	(70,000)	1,550,000	75,000
Total business-type activities			<u>\$ 5,303,885</u>	<u>\$ 51,115</u>	<u>\$ (495,000)</u>	<u>\$ 4,860,000</u>	<u>\$ 525,000</u>

During the year, the Village's Downtown Development Authority entered into a loan agreement with a local bank. The Village is investigating whether the loan complies with municipal borrowing statutes.

Village of Milford

Notes to Financial Statements June 30, 2005

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the Village's long-term obligations, excluding compensated absences and the provision for potential tax adjustments, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 161,363	\$ 85,770	\$ 247,133	\$ 525,000	\$ 163,246	\$ 688,246
2007	81,231	83,631	164,862	525,000	137,100	662,100
2008	112,015	74,100	186,115	235,000	120,188	355,188
2009	117,830	69,205	187,035	235,000	112,413	347,413
2010	101,970	63,875	165,845	245,000	104,525	349,525
2011-2015	591,772	239,128	830,900	1,345,000	394,363	1,739,363
2016-2020	480,754	67,299	548,053	1,295,000	154,063	1,449,063
2021-2025	21,082	12,406	33,488	455,000	14,188	469,188
2026-2030	28,212	5,275	33,487	-	-	-
Total	<u>\$ 1,696,229</u>	<u>\$ 700,689</u>	<u>\$ 2,396,918</u>	<u>\$ 4,860,000</u>	<u>\$ 1,200,086</u>	<u>\$ 6,060,086</u>

Note 7 - Restricted Assets

Restricted assets at June 30, 2005 for business-type activities represent amounts that are to be used for debt services as follows:

	Business-type Activities
Water and Sewer Fund:	
Assets held by county	\$ 48,961
Note receivable	<u>54,000</u>
Total restricted assets	<u>\$ 102,961</u>

Note 8 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village participates in the Michigan Municipal League risk pool for all claims.

Note 8 - Risk Management (Continued)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description - The Village participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers certain employees of the Village. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's competitive bargaining units and Village Council resolution and requires no contribution from the employees, except for command officers, who are required to contribute 1.73 percent of their base pay.

Annual Pension Costs - For the year ended June 30, 2005, the Village's annual pension cost of \$233,578 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age cost method. Significant actuarial assumptions used include: (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent attributable to inflation, (c) additional salary increases of 0 percent to 4.16 percent per year, attributable to seniority/merit, and (d) the assumption that benefits will increase 4.5 percent per year annually after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period is 30 years.

Village of Milford

Notes to Financial Statements June 30, 2005

Note 9 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2003	2004	2005
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 163,867	\$ 194,422	\$ 233,578
Percentage of APC contributed	100%	100%	100%
	Actuarial Valuation as of December 31		
	2002	2003	2004
Actuarial value of assets	\$ 4,993,196	\$ 5,355,819	\$ 5,694,533
Actuarial accrued liability (AAL) (entry age)	\$ 6,612,597	\$ 6,837,521	\$ 7,529,114
Unfunded AAL (UAAL)	\$ 1,619,401	\$ 1,481,702	\$ 1,834,581
Funded ratio	76%	78%	76%
Covered payroll	\$ 1,793,863	\$ 1,743,435	\$ 1,845,732
UAAL as a percentage of covered payroll	90%	85%	99%

Note 10 - Defined Contribution Pension Plan

The Village provides pension benefits to nearly all of its nonunion and Department of Public Works employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Village Council, the Village contributes 12 percent of nonunion employees' gross earnings and nonunion employees contribute 2 percent of earnings. The Village also contributes 11 percent of the Department of Public Works employees' gross earnings and those employees do not contribute to the plan. In accordance with these requirements, the Village contributed \$104,823 and employees contributed \$10,538 during the current year.

Note 11 - Provision for Potential Tax Adjustments

For personal property tax bills issued in the years 2001 and 2000, the State Tax Commission approved new personal property tax tables for utilities. The new tables made drastic changes to the transmission and distribution property of utilities. General estimates are that the use of the new utility tables result in approximately a 30 percent revenue loss on those properties. The Village, like many other communities, has elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables. This issue was the subject of a lawsuit brought by several units of government against the State Tax Commission challenging the constitutionality of the new utility personal property tax tables. The new utility personal property tax tables implemented by the State Tax Commission were upheld in the lawsuits. The local units of government have appealed this decision. If the original decision is upheld, the Village would have to reimburse the utility companies approximately \$205,000, of which \$118,000 would be paid from the Police Fund, \$54,000 from the General Fund, and \$33,000 from the Major Streets Fund. Pending the ultimate outcome of this appeal, a provision for potential tax adjustments has been recorded.

Note 12 - Joint Ventures

The Village is a member of the Western Oakland County Cable Commission Authority (the "Cable Authority"), which provides cable services to the residents of the Villages of Milford and Wolverine Lake, the Townships of Commerce, Highland, Lyon, Milford, and White Lake, and the cities of Walled Lake and Wixom. The Cable Authority receives a management fee from the cable television company and currently receives a portion of the Village's franchise fees. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The financial statement for the joint venture is available for inspection at the Village offices. The investment in the Cable Authority of \$48,334 is recorded in the statement of net assets.

Note 13 - Postemployment Benefits

The Village provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, eight retirees are eligible. The Village includes pre-Medicare retirees and their dependents in its insured health care plan, with contributions ranging from \$300 to \$575 required by the participant.

The Village provides Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$25,000.

Note 13 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Required Supplemental Information

Village of Milford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,196,950	\$ 1,170,900	\$ 1,168,860	\$ (2,040)
Federal sources	19,985	17,182	11,596	(5,586)
State sources	518,525	554,925	560,785	5,860
Licenses and permits	180,000	195,000	196,492	1,492
Fines and forfeitures	6,000	7,500	7,741	241
Charges for services	186,900	186,900	199,459	12,559
Interest income	29,000	44,000	46,522	2,522
Other	103,100	103,650	108,686	5,036
Total revenues	<u>\$ 2,240,460</u>	<u>\$ 2,280,057</u>	<u>\$ 2,300,141</u>	<u>\$ 20,084</u>
Expenditures				
General government:				
General administration	\$ 129,050	\$ 115,975	\$ 114,589	\$ 1,386
Council	16,875	17,675	12,863	4,812
Elections	3,000	650	645	5
Manager	110,150	110,800	109,260	1,540
Treasurer	62,375	63,775	63,067	708
Clerk	93,425	94,225	91,736	2,489
Civic Center	71,000	138,100	127,916	10,184
Planning Commission	119,500	89,550	87,065	2,485
Zoning Board of Appeals	27,380	25,450	24,649	801
Legal	22,500	22,500	25,653	(3,153)
Data processing	79,175	79,650	77,137	2,513
CDBG	19,985	17,182	11,596	5,586
Total general government	754,415	775,532	746,176	29,356
Building inspection	135,850	161,075	157,979	3,096
Public works:				
Department of Public Works	391,400	392,650	389,411	3,239
Sanitation	475,450	431,550	454,958	(23,408)
Fleet maintenance	152,600	160,100	154,109	5,991
Street maintenance	48,000	48,000	45,873	2,127
Landfill	60,000	115,000	107,360	7,640
Parks and recreation	182,375	138,450	137,648	802
Total public works	1,309,825	1,285,750	1,289,359	(3,609)
Principal retirement	19,750	19,750	19,747	3
Interest	8,495	8,495	8,496	(1)
Transfers to other funds	78,050	87,925	87,925	-
Total expenditures	<u>\$ 2,306,385</u>	<u>\$ 2,338,527</u>	<u>\$ 2,309,682</u>	<u>\$ 28,845</u>

Village of Milford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Street Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 500	\$ 500	\$ 581	\$ 81
State sources	265,000	265,000	263,507	(1,493)
Interest income	<u>7,500</u>	<u>7,500</u>	<u>8,806</u>	<u>1,306</u>
Total revenues	<u>\$ 273,000</u>	<u>\$ 273,000</u>	<u>\$ 272,894</u>	<u>\$ (106)</u>
Expenditures				
General government - Highways, streets, and bridges	\$ 298,425	\$ 815,625	\$ 711,318	\$ 104,307
Transfers to other funds	<u>27,725</u>	<u>27,725</u>	<u>27,725</u>	<u>-</u>
Total expenditures	<u>\$ 326,150</u>	<u>\$ 843,350</u>	<u>\$ 739,043</u>	<u>\$ 104,307</u>

Village of Milford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) - Police Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Charges for services	\$ 2,598,200	\$ 2,587,700	\$ 2,593,469	\$ 5,769
Interest income	<u>15,000</u>	<u>30,000</u>	<u>43,536</u>	<u>13,536</u>
Total revenues	<u>\$ 2,613,200</u>	<u>\$ 2,617,700</u>	<u>\$ 2,637,005</u>	<u>\$ 19,305</u>
Expenditures				
Public safety:				
Police	\$ 2,498,200	\$ 2,594,200	\$ 2,594,905	\$ (705)
Capital outlay	<u>116,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers to other funds	<u>23,500</u>	<u>23,500</u>	<u>23,500</u>	<u>-</u>
Total expenditures	<u>\$ 2,638,200</u>	<u>\$ 2,617,700</u>	<u>\$ 2,618,405</u>	<u>\$ (705)</u>

Village of Milford

Note to Required Supplemental Information Year Ended June 30, 2005

Budgetary Information - The annual budgets are prepared by the Village manager and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 is not known. During the current year, the budget was amended in a legally permissible manner.

The budgets for the General Fund and Special Revenue Funds have been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception that operating transfers have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)."

The budgets have been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budgets of the General Fund, Major Street Fund, and Police Fund, as adopted by the Village Council, is included in the required supplemental information of the basic financial statements. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets, as adopted by the Village, are available at the Village offices for inspection.

Excess of Expenditures Over Budgeted Amounts - During the year, the Village incurred expenditures that were in excess of the amounts budgeted in the General Fund public works department - sanitation activity of approximately \$23,000.

Other Supplemental Information

Village of Milford

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2005

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Local Street	Drug Law Enforcement	Downtown Development Authority	Parking	Senior Van	Retiree Health Care	
Assets							
Cash and investments	\$ 235	\$ 5,173	\$ 88,548	\$ 47,319	\$ 34,970	\$ 60,576	\$ 236,821
Investments	-	-	33,016	13,061	11,375	15,870	73,322
Receivables:							
Accrued interest	-	-	1,288	510	444	-	2,242
Other	-	-	67,888	3,773	7,862	619	80,142
Due from other governmental units	34,410	-	116,500	-	-	-	150,910
Prepaid expenses and other	4,445	-	-	-	-	-	4,445
Total assets	\$ 39,090	\$ 5,173	\$ 307,240	\$ 64,663	\$ 54,651	\$ 77,065	\$ 547,882
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 4,237	\$ -	\$ 184,311	\$ 101	\$ 750	\$ -	\$ 189,399
Due to other funds	31,000	-	-	-	-	-	31,000
Accrued and other liabilities	870	1,243	847	1,489	1,592	-	6,041
Total liabilities	36,107	1,243	185,158	1,590	2,342	-	226,440
Fund Balances - Unreserved							
Designated for subsequent years' expenditures	2,983	-	-	-	-	-	2,983
Undesignated	-	3,930	122,082	63,073	52,309	77,065	318,459
Total fund balances	2,983	3,930	122,082	63,073	52,309	77,065	321,442
Total liabilities and fund balances	\$ 39,090	\$ 5,173	\$ 307,240	\$ 64,663	\$ 54,651	\$ 77,065	\$ 547,882

Village of Milford

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2005

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Local Street	Drug Law Enforcement	Downtown Development Authority	Parking	Senior Van	Retiree Health Care	
Revenue							
Property taxes	\$ -	\$ -	\$ 362,267	\$ -	\$ -	\$ -	\$ 362,267
State-shared revenue	123,659	-	-	-	55,037	-	178,696
Federal sources	-	-	116,500	-	-	-	116,500
Interest	41	-	3,100	1,416	1,069	1,411	7,037
Other revenue	-	-	-	-	49,859	-	49,859
Fines and forfeitures	-	2,400	-	36,027	-	-	38,427
Special assessments	-	-	-	22,355	-	-	22,355
Total revenue	123,700	2,400	481,867	59,798	105,965	1,411	775,141
Expenditures							
Highways, streets, and bridges	253,360	-	-	-	-	-	253,360
Parking improvements	-	-	-	56,267	-	-	56,267
Building improvements	-	-	318,925	-	-	-	318,925
Other	-	1,000	126,470	-	107,994	-	235,464
Retiree health care	-	-	-	-	-	25,124	25,124
Debt service:							
Principal retirement	-	-	50,000	-	-	-	50,000
Interest and fiscal charges	-	-	76,160	-	-	-	76,160
Total expenditures	253,360	1,000	571,555	56,267	107,994	25,124	1,015,300
Excess of Revenue Over (Under) Expenditures	(129,660)	1,400	(89,688)	3,531	(2,029)	(23,713)	(240,159)
Other Financing Sources							
Proceeds from issuance of debt	-	-	85,887	-	-	-	85,887
Operating transfers in	96,000	-	-	-	5,000	38,150	139,150
Total other financing sources	96,000	-	85,887	-	5,000	38,150	225,037
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	(33,660)	1,400	(3,801)	3,531	2,971	14,437	(15,122)
Fund Balances - Beginning of year	36,643	2,530	125,883	59,542	49,338	62,628	336,564
Fund Balances - End of year	<u>\$ 2,983</u>	<u>\$ 3,930</u>	<u>\$ 122,082</u>	<u>\$ 63,073</u>	<u>\$ 52,309</u>	<u>\$ 77,065</u>	<u>\$ 321,442</u>

August 18, 2005

Members of the Village
Council
Village of Milford
1100 Atlantic Street
Milford, MI 48381

Dear Council Members:

We have recently completed our audit of the financial statements of the Village of Milford for the year ended June 30, 2005. We again found the accounting records to be in very good condition and the Village staff well prepared for the audit. As part of our audit, and in addition to the financial report, we offer the following comments and recommendations for your consideration.

REVIEW OF INTERNAL CONTROLS

In planning and performing our audit of the financial statements of the Village of Milford for the year ended June 30, 2005, we considered the Village's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters noted are only those that came to our attention and had our procedures in internal control related matters been more extensive, other matters may have been noted.

In reviewing the Village employees' responsibilities, it came to our attention that the Treasurer has a significant amount of control over the cash procedures. The Treasurer currently has the ability to collect cash, sign checks, reconcile the bank accounts and make journal entries in the general ledger. In addition, the Village Clerk, who is responsible for the Village's accounts payable system, has the ability to add a vendor to the system and has the ability to sign checks under \$1,000 with no additional signature. Due to the size of the Village's staff, we recognize there are inherently some limitations in correcting these matters. However, dividing up some of these functions could improve the Village's internal controls. In an attempt to mitigate any risk to the Village, currently there are two signatures required on all checks over \$1,000 and the Council reviews and approves all checks before they are sent.

LEGISLATIVE ISSUES

Revenue Sharing

State shared revenue accounts for approximately 24% of the Village's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

2005

As you are probably aware, the Governor's budget for the State's 2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (which began in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2005 fiscal year at the prior year levels. This plan was approved by the Michigan legislature and signed by the Governor.

In February 2005, the Governor did unveil an Executive Order to remedy a \$375 million shortfall for the State's 2005 budget and it appears to propose no further cuts to revenue sharing. The Executive Order was rejected by the Michigan Legislature and negotiations continue. We will keep the Village updated on further developments.

2006

The Governor also introduced her 2006 budget with a \$773 million shortfall in February 2005. At this time, the budgeted amount for revenue sharing in 2006 is approximately the same as the 2005 funding level. The details on how the monies will be distributed on an individual community basis are yet to be confirmed.

The table below details state shared revenue for the Village over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the Village compared to the State's fiscal year 2001.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>	<u>Cumulative Decrease</u>
2001	270,252	407,004	677,256	-	0-
2002	241,373	411,149	652,522	24,734	24,734
2003	201,003	418,110	619,113	58,143	82,877
2004	142,861	413,569	556,430	120,826	203,703
2005	126,926	423,439	550,365	126,891	330,594
2006*	111,855	438,510	550,365	126,891	457,485

* Estimated

We will continue to update the Village as developments occur.

FUNDING OF THE POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. For many communities, the funding of post-employment benefits is the most significant financial challenge they will face in coming years. The statement will not be effective until the Village's fiscal year ended June 30, 2009. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

TRANSPORTATION MATTERS

The State is now expecting lower than anticipated Act 51 receipts for the State's 2004/2005 fiscal year which ends September 30, 2005. The Michigan Department of Transportation reported that receipts through the six month period ended April 30, 2005 were 4% behind last year. Plante & Moran publishes annually forecasted Act 51 distribution rates which we receive from the State and are based on its forecast of anticipated collections at the State level. If actual collections are less than amounts forecasted by the Michigan Department of Transportation, this could likely result in revenue less than budgeted amounts in the Village's Major and Local Street Fund. The lower than anticipated collections could impact the Village's fiscal year 2005/2006 budgets.

OTHER ACCOUNTING ISSUES

- During the course of our audit, we noted that wire transfers did not include a signature demonstrating that a review took place. Although the wire transfers are, at a minimum, reviewed in the bank reconciliation process, we recommend that the Village implement a system in which a form is required with proper approval and signature prior to transfer.
- During the testing of bank reconciliations, we noted a significant number of voided checks each month. The amount of voided checks caused difficulty performing the monthly bank reconciliation and may have attributed to minor unknown differences between the bank reconciliation and general ledger throughout the year. We recommend the Village implement a system in which each voided check must be approved and properly recorded.
- During testing of the Village's building bonds and deposits, we noted a minor difference between the general ledger and the Village's building bond subsidiary ledger. Although the Village has made strides in updating the bond subsidiary ledger as deposits and repayments are made, we recommend the subsidiary ledger be reconciled to the general ledger and any differences corrected on a minimum of a quarterly basis.

OTHER ACCOUNTING ISSUES (continued)

- In the current year the Downtown Development Authority issued bank debt to purchase property. There is some question as to whether the DDA or the Village had the authority to enter into the debt under the Municipal Finance Act. We understand the Village has been in contact with its attorney in relation to this matter.

This report is intended solely for the use of the Village Council and management of the Village of Milford. We would like to take this opportunity to thank Arthur Shufflebarger, Becky Jacques, and the rest of the Village's staff for their assistance during our audit. If any questions arise on reviewing the financial statements or the above comments, we would be happy to discuss them with you or assist in the implementation of any of these recommendations.

Very truly yours,

PLANTE & MORAN, PLLC



Leslie J. Pulver



Wendy N. Trumbull